

**Payment Policies for Healthcare Services
Provided to Injured Workers and Crime Victims**

Chapter 23: Pharmacy Services

Effective July 1, 2013



Link: Look for possible **updates and corrections** to these payment policies at:

www.Lni.wa.gov/ClaimsIns/Providers/Billing/FeeSched/2013/default.asp#3



Table of contents

Page

Definitions.....	23-2
Payment policies:	
All pharmacy services.....	23-4
Compound Drugs	23-8Error! Bookmark not defined.
Emergency contraceptives and pharmacist counseling	23-9
Endorsing practitioner and Therapeutic Interchange Program	23-10
Infusion therapy	23-12
Initial prescription drugs or “first fills” for State Fund claims	23-14
Third party billing for pharmacy services.....	23-16
More info:	
Related topics.....	23-18



Definitions

General

Average wholesale price (AWP): A pharmacy reimbursement formula by which the pharmacist is reimbursed for the cost of the product plus a mark-up. The AWP is an industry benchmark which is developed independently by companies that specifically monitor drug pricing.

Initial prescription drug or “first fill”: Any drug prescribed for an alleged industrial injury or occupational disease during the initial visit.

Initial visit: The first visit to a healthcare provider during which the *Report of Industrial Injury or Occupational Disease* is completed for a claim for workers compensation.

Preferred drug list

- ▶ **Endorsing practitioner:** A practitioner who has reviewed the preferred drug list and has notified the health care authority that he or she has agreed to allow therapeutic interchange of a preferred drug for any nonpreferred drug in a given therapeutic class,
- ▶ **Preferred drug list (PDL):** The list of drugs selected by the appointing authority to be used by applicable state agencies as the basis for the purchase of drugs in state purchased healthcare programs,
- ▶ **Refill (protection):** The continuation of therapy with the same drug (including the renewal of a previous prescription or adjustments in dosage) when a prescription is for an antipsychotic, antidepressant, chemotherapy, antiretroviral or immunosuppressive drug, or for the refill of an immunomodulator/antiviral treatment for hepatitis C for which an established, fixed duration of therapy is prescribed for at least 24 weeks but no more than 48 weeks,
- ▶ **Therapeutic alternative:** Drug products of different chemical structure within the same pharmacologic or therapeutic class and that are expected to have similar therapeutic effects and safety profiles when administered in therapeutically equivalent doses,
- ▶ **Therapeutic interchange:** To dispense with the endorsing practitioner's authorization, a therapeutic alternative to the prescribed drug,

- ▶ **Wrap around formulary:** The formulary the department uses for the drug classes that aren't part of the PDL but are part of the department's allowed drug benefit.



Note: Also see [WAC 296-20-01002](#) for the above definitions.



Payment policy: All pharmacy services

(See definition of **preferred drug list (PDL)** in “Definitions” at the beginning of this chapter.)

► Services that can be billed

The Outpatient Drug Formulary is a list of therapeutic classes and drugs that are covered under L&I's drug benefit. L&I uses a subset of the Washington State PDL and a wrap-around formulary for the remaining drug classes. Drugs or therapeutic classes listed on the formulary do not guarantee coverage and may be subject to specific L&I policy and determination of appropriateness for the accepted conditions.



Links: The outpatient formulary can be found in the Payment Policies [Appendix G: Outpatient Drug Formulary](#), or online at:
www.Lni.wa.gov/ClaimsIns/Providers/TreatingPatients/Presc/OutpatientDrug.asp.

A current list of the drug classes that are part of the workers' compensation benefit and on the PDL is available at:

www.Lni.wa.gov/ClaimsIns/Providers/TreatingPatients/Presc/PDL.asp.

A list of policies relating to drug coverage, including limitations, criteria for coverage and treatment guidelines is available at:

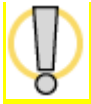
www.Lni.wa.gov/ClaimsIns/Providers/TreatingPatients/Presc/Policy/.

► Prior authorization

Nonpreferred drugs

To obtain authorization for nonpreferred drugs:

If the non-preferred drug is part of the...	And you are a PDL endorsing provider , then:	Or you are a non-endorsing provider , then:
Preferred drug list	Change to the preferred drug or Write DAW for non-preferred drug.	Change to the preferred drug or For State Fund claims, contact the PDL Hotline. For self-insured claims, contact the self-insured employer.
Wrap-around classes	Change to the preferred drug or For State Fund claims, contact the PDL Hotline. For self-insured claims, contact the self-insured employer.	Change to the preferred drug or For State Fund claims, contact the PDL Hotline. For self-insured claims, contact the self-insured employer.



Note: The PDL Hotline is open Monday through Friday 8:00 am to 5:00 pm (Pacific Time), and the toll free contact number is **1-888-443-6798**.



Links: For a list of SIE/TPAs, see:
www.Lni.wa.gov/ClaimsIns/Insurance/SelfInsure/EmpList/.

Filling prescriptions after hours

If a pharmacy receives a prescription for a nonpreferred drug when authorization can't be obtained, the pharmacist may dispense an **emergency supply** of the drug by entering a value of 6 in the DAW field.

The insurer must authorize additional coverage for the nonpreferred drug.



Note: An **emergency supply** is typically 72 hours for most drugs or up to 10 days for most antibiotics, depending on the pharmacist's judgment.

► Who must perform pharmacy services to qualify for payment

The pharmacy service fee schedule applies to pharmacy providers only. It doesn't apply to medical providers administering drugs in the office. Please see "[Medication Administration and Injections](#)" chapter.

► Requirements for writing prescriptions

Prescription forms

Orders for over the counter non-oral drugs or nondrug items must be written on standard prescription forms.

Recordkeeping for prescriptions

Records must be maintained for audit purposes for a minimum of 5 years.



Link: For more information on recordkeeping requirements, see [WAC 296-20-02005](#).

► Requirements for billing

NCPDP payer sheet, version D.0 and 5.1

For State Fund claims, L&I currently accepts versions D.0 and 5.1 of the NCPDP payer sheet to process prescriptions for payment in the point of service (POS) system.

POS hours:

- **6 a.m. to midnight** Monday through Saturday.
- **6 a.m. to 10 p.m.** on Sunday.



Link: The current version of the NCPDP payer sheet is available online at: www.Lni.wa.gov/ClaimsIns/Files/Providers/NCPDPD0PayerSheetFinal.pdf.

► Payment methods



Link: For a definition of “Average Wholesale Price” (AWP), see [WAC 296-20-01002](#).

Payment for drugs and medications, including all oral over the counter drugs, will be based on these pricing methods:

If the drug type is...	Then the payment method is:
Generic	AWP less 50% (+) \$ 4.50 professional fee
Single or multisource brand	AWP less 10% (+) \$ 4.50 professional fee
Brand with generic equivalent (dispense as written only)	AWP less 10% (+) \$ 4.50 professional fee
Compounded prescriptions	Allowed cost of ingredients (+) \$4.50 professional fee (+) \$4.00 compounding time fee (per 15 minutes)



Notes: Orders for over the counter non-oral drugs or nondrug items are priced on a 40% margin.

Prescription drugs and oral or topical over the counter medications are nontaxable.

No payment will be made for repackaged drugs.



Link: For more information on tax exemptions for sales of prescription drugs, see [RCW 82.08.0281](#).



Payment policy: Compound drugs

► Prior authorization

All compounded drug products require prior authorization. Failure to seek authorization before compounding will risk non-payment of compounded products.

Compounded drug products include, but aren't limited to, antibiotics for intravenous therapy, pain cocktails for opioid weaning, topical preparations containing multiple active ingredients or any non-commercially available preparations.



Link: For more information, see the department's coverage policy on compound drugs.

► Services that aren't covered

Compounded topical preparations containing multiple active ingredients **aren't covered**. There are many commercially available, FDA-approved alternatives, such as oral generic non-steroidal anti-inflammatory drugs, muscle relaxants, tricyclic antidepressants, gabapentin and topical salicylate and capsaicin creams on the [Outpatient Drug Formulary](#).

► Requirements for billing

Compounded drug products must be billed by pharmacy providers on the Statement for Compound Prescription with national drug code (NDCs or UPCs if no NDC is available) for each ingredient. No separate payment will be made for this service:

- **99070** (Supplies and materials)



Payment policy: Emergency contraceptives and pharmacist counseling

► Coverage policy

The insurer covers emergency contraceptive pills (ECPs) and associated pharmacist counseling services when **all** of the following conditions are met:

- A valid claim for rape in the workplace is established with the insurer, *and*
- The ECP and/or counseling service is sought by the worker, *and*
- The claim manager authorizes payment for the ECP and/or the counseling, *and*
- The pharmacist is approved by the Department of Health Board of Pharmacy to follow this particular protocol.

► Requirements for billing

Once the “Coverage policy” conditions listed above have been met, the dispensed medication must be billed with the appropriate NDC and the counseling service with HCPCS code **S9445**.



Payment policy: Endorsing Practitioner and Therapeutic Interchange Program

(See definitions of **endorsing practitioner**, **refill**, **therapeutic alternative**, and **therapeutic interchange** in “Definitions” at the beginning of this chapter.)

► Requirements for writing prescriptions

Endorsing practitioners may indicate Dispense as Written (DAW) on a prescription for a nonpreferred drug on the PDL, and the prescription will be filled as written.

Alternatively, if an endorsing practitioner indicates “substitution permitted” on a prescription for a nonpreferred drug on the PDL:

- The pharmacist will interchange a preferred drug for the nonpreferred drug, *and*
- A notification will be sent to the prescriber.

► Additional information: When therapeutic interchange won’t occur

Therapeutic interchange won’t occur when the prescription is a refill of a drug, as exempted by law, that is:

- An antipsychotic, *or*
- An antidepressant, *or*
- Chemotherapy, *or*
- Antiretroviral, *or*
- Immunosuppressive drug, *or*
- An immunomodulator/antiviral treatment for hepatitis C for which an established, fixed duration of therapy is prescribed for at least twenty-four weeks but no more than forty-eight weeks.

Due to federal regulations, therapeutic interchange won’t take place when the prescription is for a schedule II nonpreferred drug. However, L&I will honor the prescription if an endorsing practitioner indicates DAW for a schedule II nonpreferred drug.



Note: Transdermal fentanyl (Duragesic) and buprenorphine (Butrans) won't be routinely covered.



Link: For exception criteria, see:

www.Lni.wa.gov/ClaimsIns/Providers/TreatingPatients/Presc/Policy/ .



Payment policy: Infusion therapy

► Prior authorization

Regardless of who is providing services, prior authorization is required for:

- Home infusion nurse services, *and*
- Drugs, *and*
- Any supplies.

The insurer will only pay for proper and necessary services required to address physical restrictions caused by the industrial injury or disease.

Home infusion services can be authorized independently or in conjunction with home health services.

Home infusion skilled nurse services will only be authorized when infusion therapy is, approved as treatment for the worker's allowed industrial condition.

► Who must perform these services to qualify for payment

Home infusion nurse services

Skilled nurses contracted by the home infusion service provide infusion therapy, as well as:

- Education of the worker and family,
- Evaluation and management of the infusion therapy, *and*
- Care for the infusion site.

Drugs

Drugs for outpatient use, including infusion therapy drugs, must be billed by pharmacy providers, either electronically through the point-of-service (POS) system or on appropriate pharmacy forms (Statement for Pharmacy Services, Statement for Compound Prescription or Statement for Miscellaneous Services) with national drug codes (NDCs or UPCs if no NDC is available).



Note: Total parenteral and enteral nutrition products are exceptions and may be billed by home health providers using the appropriate HCPCS codes.

Equipment and supplies

Durable medical equipment (DME) providers may bill for equipment and supplies required to provide authorized IV infusion therapy under their L&I DME provider account numbers.

If rental or purchase of an infusion pump is medically necessary to treat a patient in the home, refer to the payment policy for “Home infusion services” in the [Home Health Services](#) chapter for more information.



Link: For information on home infusion therapy in general, see the “Home infusion services” section of the [Home Health Services](#) chapter.



Note: Billing instructions for non-pharmacy providers are detailed in the “Payment policy” for “Injectable medications” (the next section of this chapter).



Payment policy: Initial prescription drugs or “first fills” for State Fund claims

► Payment methods

Payment for “first fills” will be based on L&I’s fee schedule including but not limited to:

- Screening for drug utilization review (DUR) criteria, *and*
- Preferred drug list (PDL) provisions, *and*
- 30 day supply limit and formulary status.



Note: L&I will pay pharmacies or reimburse workers for prescription drugs prescribed during the initial visit for State Fund claims regardless of claim acceptance.



Links: For definitions of “initial prescription drug” and “initial visit,” see [WAC 296-20-01002](#).

For billing and payment for initial prescription drugs information, see [WAC 296-20-17004](#).

► Requirements for billing

Your bill must be received by L&I within one year of the date of service.

For non-state fund claims, pharmacies should bill the appropriate federal or self-insured employer.



Note: If a payment is made by L&I on a claim that has been mistakenly filed as a State Fund claim, payment will be recovered.



Link: For additional information and billing instructions, go to: www.Lni.wa.gov/ClaimsIns/Providers/TreatingPatients/Presc/Billing/ , or see the Pharmacy Prescription Billing Instructions manual.

For a list of SIE/TPAs, see:
www.lni.wa.gov/ClaimsIns/Insurance/SelfInsure/EmpList/.

► Payment limits

L&I won't pay:

- For refills of the initial prescription before the claim is accepted, *or*
- For a new prescription written after the initial visit but before the claim is accepted, *or*
- If it is a federal or self-insured claim.



Payment policy: Third party billing for pharmacy services

► Requirements for billing

Pharmacy services billed through a third party pharmacy biller will be paid using the pharmacy fee schedule **only when**:

- A valid L&I claim exists, *and*
- The dispensing pharmacy has a signed Third Party Pharmacy Supplemental Provider Agreement on file at L&I, *and*
- All POS edits have been resolved during the dispensing episode by the dispensing pharmacy.

Pharmacy providers that bill through a third party pharmacy billing service must:

- Sign a Third Party Pharmacy Supplemental Provider Agreement, *and*
- Allow third party pharmacy billers to route bills on their behalf, *and*
- Agree to follow L&I rules, regulations and policies, *and*
- Ensure that third party pharmacy billers use L&I's online POS system, *and*
- Review and resolve all online POS system edits using a licensed pharmacist during the dispensing episode.

► Payment limits

Third party pharmacy billers **can't resolve** POS edits.

► Additional information: Third Party Pharmacy Supplemental Agreements

Third Party Pharmacy Supplemental Agreements can be obtained either:

- Through the third party pharmacy biller, *or*
- By contacting L&I's Provider Credentialing (see contact info, below).

The third party pharmacy biller and the pharmacy complete the agreement together and return it to L&I.



Links: To contact L&I's Provider Credentialing, call **360-902-5140**.

For more information about these agreements, refer to the Pharmacy Services website at: www.lni.wa.gov/ClaimsIns/Providers/Treatment/Presc/.



Links: Related topics

If you're looking for more information about...	Then go here:
Administrative rules (Washington state laws) for pharmacy services	<p>Washington Administrative Code (WAC) 296-20-01002: http://apps.leg.wa.gov/wac/default.aspx?cite=296-20-01002</p> <p>WAC 296-20-17004: http://apps.leg.wa.gov/wac/default.aspx?cite=296-20-17004</p> <p>WAC 296-20-03014(6): http://apps.leg.wa.gov/wac/default.aspx?cite=296-20-03014</p> <p>WAC 296-20-1102: http://apps.leg.wa.gov/wac/default.aspx?cite=296-20-1102</p> <p>WAC 296-20-02005: http://apps.leg.wa.gov/wac/default.aspx?cite=296-20-02005</p>
Becoming an L&I provider	<p>L&I's website: www.Lni.wa.gov/ClaimsIns/Providers/Becoming/</p>
Billing instructions and forms	<p>Chapter 2: Information for All Providers</p>
Drug coverage policies	<p>L&I's website: www.Lni.wa.gov/ClaimsIns/Providers/TreatingPatients/Presc/Policy/</p>
PDL	<p>L&I's website: www.Lni.wa.gov/ClaimsIns/Providers/TreatingPatients/Presc/PDL.asp</p>
Endorsing the PDL	<p>Online registration at: www.rx.wa.gov/tip.html</p> <p>Call Washington State Endorsing Practitioner Customer Service: 1-877-255-4637</p>

If you're looking for more information about...	Then go here:
Fee schedules for all healthcare facility services (including ASCs)	L&I's website: http://feeschedules.Lni.wa.gov
NCPDP payer sheet current version	L&I's website: www.Lni.wa.gov/ClaimsIns/Files/Providers/NCPDPD0PayerSheetFinal.pdf
Outpatient formulary	L&I's website: www.Lni.wa.gov/ClaimsIns/Providers/TreatingPatients/Presc/OutpatientDrug.asp
PDL Hotline	Open Monday through Friday, 8:00 am to 5:00 pm (Pacific Time): 1-888-443-6798
Therapeutic Interchange Program exception criteria	L&I's website: www.Lni.wa.gov/ClaimsIns/Providers/TreatingPatients/ByCondition/Duragesic.asp
Third Party Pharmacy Supplemental Agreements	L&I's website: www.Lni.wa.gov/FormPub/Detail.asp?DocID=2209

► **Need more help?** Call L&I's Provider Hotline at **1-800-848-0811**.